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DEFECTS AND ABUSES IN OUR POSTAL SYSTEM.—II.

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THE line of demarcation between evils that are inherent in the postal service, as now administered, and those which are avoidable by the exercise of stern integrity in framing and executing the laws under which it exists, is not always plain and definite. Certain defects partake of characteristics of both classes and are not strictly assignable to either. But, as a rule, the distinction can be seen.

Which of the two is the more dangerous it is difficult to determine. Sometimes the necessary evils of which we are warned, and which we are thereby prepared to minimize, cause less uneasiness than those which are wholly inexcusable, but which we have no power, without impossible extraneous help, to reduce or remove.

We have discussed a few leading defects and abuses which seem within reach of remedial action either by law-making or executive authority, and we shall now consider others which appear to be more solidly grounded in the general structure, inherent, unavoidable, necessarily incident to the adoption under national auspices of a money-making and money-spending enterprise.

Some of these matters may seem trivial; but nothing is really trivial that impairs the efficiency or menaces the integrity of this potent factor in the maintenance of modern civilization. Still less can anything be deemed trivial which, even slightly and indirectly, helps to throw a sidelight on the mechanism of this vast and complicated structure, exposing the dangers which lie concealed within, and eloquently warning us against its undue expansion.

One apparently unavoidable abuse of the postal service consists in the ever present temptation to postmasters to swell their emoluments by illegitimate increase either of their cancellations or stamp sales, through fictitious showings of business or false returns. In former years, the salaries of postmasters in all grades were based on the revenues of their offices, which were realized principally through the sale of postage-stamps. Up to a certain point, the so-called "commission" on sales amounted to forty, fifty or seventy-five per cent. thereof. Under this system, country postmasters could, and many did, pay for city purchases of provisions, clothing, etc., in stamps, thereby enormously increasing their own emoluments without performing any official duty in return therefor. This notorious abuse led to a change of system, under which fourth-class postmasters, or those receiving less than \$1,000 each a year, were paid not on sales of stamps but on the "cancellations" thereof, the latter being supposed to represent the actual business done at the office—that is to say, the actual work performed.

If honestly carried out this plan would be perfect, but in unscrupulous hands it is subject to abuses which, in fact, are constantly occurring, many of them being detected and punished, others undoubtedly escaping detection. The knavish postmaster, to illustrate, holding a small office near a large city expands his income by arranging with heavy patrons of the city mail to send bags full of their catalogues, circulars or letters by express to his office, whence they are forwarded to their destination, the mailing postmaster securing thereby an unwarranted addition to his compensation. Other postmasters, still more flagrantly dishonest, systematically pad their returns, constantly exaggerating the amount of business transacted, complacently swearing to their reports quarter after quarter, and eagerly pocketing the proceeds of their perjury.

"Presidential" postmasters, that is to say such as receive over \$1,000 a year, are paid on a different basis; their emoluments depend upon the income or revenue received, being, as stated, almost wholly derived from the sale of postage-stamps. Here comes in the same temptation which formerly assailed the small postmasters, to extend these sales beyond the legitimate demand for local consumption, spreading them by outside sales or large remittances as currency to other localities. There the imported

stamps operate to reduce unjustly the revenues of offices where they are actually used in the payment of postage. This species of imposition is continually practised, much of it being done so cunningly as to escape detection. In other cases little concealment is attempted.

An extensive firm of seedsmen, located in a town of 10,000 inhabitants, has for several years annually contracted with a printing-house in a neighboring city to print, wrap and mail an edition of 800,000 catalogues, each requiring a four-cent stamp. These stamps are purchased at the post-office in the home town at a cost of \$32,000, transmitted to the printing-house in the city, affixed to the mail, delivered at the city post-office and mailed therefrom. The result is that the revenues of the smaller post-office are improperly increased by \$32,000, more than fifty per cent. of the total business of the office; while the larger office, which actually performs the immense labor incident to cancelling stamps, distributing and forwarding 800,000 pieces of mail, receives no compensation therefor, and practically suffers a loss of \$32,000 by the transaction. The office gaining this large increase of revenue is by the Department rules entitled to six additional clerks and as many carriers, by reason of this sale of stamps for which it performed no service. The other office which does all the work receives no additional allowances therefor, because it derived no revenue therefrom.

The postmasters in several large cities have been convicted by the Department of unduly swelling their revenues by improper means, and have suffered the consequences. Last year the postmasters at two of the leading cities of our Central States claimed from the Department an increase of their salaries from \$4,000 to \$5,000 each, on a showing that the revenues of their respective offices during the preceding year had reached the \$500,000 mark. Newspaper publications had unwittingly disclosed the existence of a spirited competition between these offices for weeks before the close of the period, each urging all patriotic citizens to patronize the local post-office lavishly in order that the great desideratum might be accomplished. Official investigation convinced the head of the Department that this competition had been carried on to an unjustifiable extent and that reprehensible methods had been employed to inflate the receipts. In both cases he refused to permit the increase of salary, although the \$500,000 limit had

been passed. The postmasters insisted that the law guaranteed them the increase and threatened to compel the Department to allow it, but the Postmaster-General piquantly retorted that the law also gave him authority to remove postmasters, and there the matter rested.

A perennial tribulation of the Department, of Congress and of the courts is the pressure for payment of old claims for services alleged to have been performed decades or generations ago but refused recognition at the time, and coming up persistently, in increasing volume and with augmented energy as the years go by. When the War of the Rebellion began, contractors for carrying mails in the South found their business interrupted, and most of them were entitled to pay for the fraction of a quarter previous thereto. The Confederate Government as a rule assumed these contracts and paid the amount previously earned from the United States. Fortunately, among the Confederate archives records were found which are now preserved in the Auditor's Office at Washington, showing what payments had been made. Notwithstanding this, hundreds of the ex-contractors, or their heirs and executors, annually present these ancient claims, secure the introduction of bills in Congress for "relief," which are only prevented from passage by a reference of the cases to the Auditor and an examination of the books.

About twenty-five years ago, an industrious Washington attorney conceived the idea that the Post Office Department had made an incorrect ruling as to salaries of fourth-class postmasters, which had reduced the compensation to which those worthy officials were entitled. This attorney organized a bureau for the prosecution of these claims, received contributions from many thousands of ex-postmasters or their representatives, prepared his schedules showing indebtedness to 50,000 ex-postmasters, aggregating \$3,000,000 or more, and moved on Congress for an appropriation to pay the same. The movement has not yet been a success, but the 50,000 claims are still pending, and the industrious attorney or his successor solicits periodically additional contributions from the claimants, on the encouraging assurance that their "reimbursement" is now only a question of months or days.

In 1858, a citizen of the far West contracted with the Department to transport the mails by a difficult and dangerous route

across the plains and mountains at the stipulated price of \$130,000 a year for a weekly service. He fulfilled his contract for one year and received his pay. Then the service was cut down to twice a month, and the compensation fixed at \$80,000 a year by mutual agreement. He continued on this schedule eleven months and received the contract price with \$4,000 additional for extras. The contract was then annulled by the Department on the ground that its stipulations had not been complied with, and temporary service was secured through other parties. The ex-contractor, after several years' meditation, considered himself aggrieved, pushed his grievance vigorously, and finally in 1869 secured a pretended "readjustment" of his claims by the Postmaster-General, which resulted in the amazing decision that, though he had confessedly been paid all and more than his contract called for, and had forfeited it through his own inefficiency, the Government was indebted to him in the sum of \$443,000. Congress at one time passed a bill appropriating this money, but a reconsideration was had before actual payment was made. The claimant died many years ago; the claim has passed into the hands of others, but it has not died. It is being solemnly considered by a Committee of the present Congress under unusually strong pressure for its belated recognition.

A necessary consequence of doing business under Government auspices will always be great confusion in the public mind as to profits on certain elements or features thereof. Notwithstanding their manifest absurdity, claims are still put forward on behalf of certain cities that their respective post-offices pay large "profits" to the Government. There can, of course, be no profit at any office while the aggregate transactions of the Department are conducted at a loss. Collections of revenue at city offices are not only drawn upon to pay the necessary expenditures of those offices, but also to pay for the transportation of mails to their destination and their delivery to addresses.

Because a large amount of mail happens to originate at the New York post-office, for example, entailing correspondingly large sales of stamps and collections for newspaper postage, it does not necessarily follow that the New York office pays any profit whatever. The box-office of a theatre would not be called "profitable" to the extent of the excess of its receipts over the salaries of the men employed to sell tickets. A railroad station

would not be held to yield a "profit" simply because the amount of freight bills collected and passenger tickets sold there exceeded the salaries of its employees. A moment's reflection shows that the money received must be really earned outside the post-office, the box-office or the railroad station; and all expenses incident to the entire business must be paid before any profit can be realized. It may be stated parenthetically, however, in the case of the New York office, which has been specially put forward as exceptionally profitable, that the total revenues of that office would barely pay the loss on second-class mail matter originating there. New York furnishes more than twenty-five per cent. of the whole second-class mail of the country, or about 100,000,000 pounds per annum. As the loss on this mail is seven cents a pound, the deficit in that item is approximately \$7,000,000 a year, while the so-called "net revenues" of the office were \$6,549,764 12.

One glaring evil incident to the present system and requiring early attention is the use of postage as currency for remittances. This use or abuse was not contemplated when stamps were authorized for the prepayment of postage, which is their only legitimate function. Postal regulations prohibit the exchange of one denomination for another, which would not be the case if they were to be used as currency. But they are now constantly employed in making remittances, and their sale in large or small quantities is a flourishing industry in all cities. A market is thus created for stamps obtained by burglars from rifled post-offices; their prompt conversion into cash is assured and the chances for detection are greatly reduced. Much of this loss could be avoided if the temptation to post-office robberies were minimized by a law restricting the private sale of postage-stamps to amounts not exceeding one dollar. The enterprising burglar knows that post-offices always carry a liberal stock of stamps, so that his labors are sure to be rewarded even if the actual cash found should prove to be of small amount. If he could not so readily dispose of his plundered assets, he might be led to seek more praiseworthy outlets for his energy.

The evil of the use of stamps as currency for remittances has other injurious effects and elements of loss. Salaries of post-masters and their allowances for help are based on the revenues of their respective offices. The receipts of many offices are unduly reduced by the sale at a discount within their jurisdictions

of postage-stamps which have been received through the mail as currency in direct opposition to the law's intent, or which are the result of thefts and burglaries. Many large mail-order houses receive from customers thousands of dollars' worth of stamps in excess of requirements for the prepayment of postage on their own mail. These stamps are sold at a discount of five to fifteen per cent. and thus reduce the revenues of the offices where they are used but not purchased, not only affecting the salaries of postmasters, but also those of clerks and carriers who perform the work of collecting and forwarding mail for which their office receives no revenue.

It is claimed on behalf of those who find a convenience in the use of stamps as currency that, if this practice is to be discouraged or abolished, the Government should furnish some acceptable substitute. Accordingly, a measure is now pending in Congress embodying what is known as the "post check" system, which is intended to furnish something more simple and accessible than money orders for ready use in making small remittances. It provides that \$75,000,000 in United States notes of larger denominations than ten dollars shall be replaced with an equal amount in fractional notes in denominations of 5 to 50 cents, and regular notes of one, two and five dollars. The dimensions of the fractional notes will be uniformly four inches long by two and a fourth inches wide; the others of present standard dimensions.

To adapt these notes to their purpose it is provided that the words "payable to bearer on demand" shall be eliminated, and the words "payable to the payee named herein or order of said payee; payable to bearer if the spaces are not filled," be substituted. These notes will thus pass from hand to hand as currency until the blank space is filled. Thereafter they are payable only to the payee or order; they can be redeemed at any money-order office or national bank, and they will not again be used as a circulating medium. They will find their way by legal channels to the United States Treasury, where they will be handled and destroyed as mutilated currency.

This plan seems on its face to be practicable, to accomplish several desirable results simultaneously and to afford accommodation to the entire public at a minimum of labor and expense. There is no obvious reason why the denominations should not extend to ten or twenty dollars. The saving that would be effected

by treating the paid and cancelled notes as mutilated currency instead of vouchers; the intricate reports and interminable columns of figures that would be abolished; the simplicity of accounting and certainty of correct adjustments that would supersede present complications and uncertainties, can only be appreciated by those familiar with the crude methods employed in the Auditor's office for bringing forty millions of money orders annually into dubiously accurate relations with the thirty thousand postmasters who issued and paid them.

That postal facilities have been used in the past and are now being used, in spite of all precautions and all reforms heretofore inaugurated, for the promotion of innumerable frauds and swindles, is too notorious to admit of denial or even to excite comment. The war against lottery schemes, waged vigorously for twenty years by the Department, has been measurably successful in excluding that gigantic swindle from the mails. Equally vigorous but less effective campaigns have been made against green goods games and other extensive fraudulent enterprises. But frauds of various kinds, great and small, are yet carried on through this medium to an alarming extent. They are inaugurated by all classes and denominations of tradesmen, by publishers of doubtful periodicals, by cigar and tobacco dealers, compounders of quack medicines, organizers of bogus mining companies, and inventors of financial pitfalls *ad infinitum*.

The law, which authorizes the Department on satisfactory evidence to exclude these concerns from the use of the mails, is so arbitrary that it must be enforced with great caution, and impartiality as well as firmness must be exercised if the law is to be executed without hardship or injustice. Many persons thoughtlessly adopt experiments to stimulate their private business and unexpectedly find themselves within the domain of fraud. In such cases they are dealt with as leniently as possible. But in other cases, where the promoters have adopted schemes with the manifest intent of obtaining money or property on false representations, they are not only put out of the mails by the issue of "fraud orders," but are also handed over to United States Attorneys for prosecution under the penal statutes. Vigilant as the Department is, it cannot possibly reach all these illegitimate enterprises in time to prevent great loss to the unwary from inconsiderate investments in bond enterprises, tontine schemes,

certifying coupons, or debentures on the instalment plan, which promise enormous returns impossible of realization on any reliable financial basis.

If reports are true, the cupidity of postmasters is now undergoing the test of a clever device in the old familiar green goods line, originated in New York and worked from Jersey City to Chicago. The dupes are second, third and fourth class postmasters who dare not complain to the authorities, which is a feature of the subtle ingenuity of the plan. It is stated that within six months more than a thousand postmasters have been swindled out of sums ranging from \$250 to \$1,000 each. Only postmasters are invited to participate, and they are offered counterfeit stamps manufactured from "the undestroyed plates of the Government—undistinguishable from the genuine." When the rendezvous is reached, all the old-fashioned bunco games of substitution, etc., which have been repeated in green goods enterprises for a generation, are practised, and the credulous postmaster retires from the scene a heavy loser, with no one to pity him should he dare make known the details of his discomfiture. It is a sad commentary on the integrity of public officials that so many have been tempted by this rascally bait.

A leading source of danger lies in the multitude of defects inherent in the widely ramified accounting system made necessary by this colossal postal enterprise. Few stop to consider into what the accounting feature of such an institution has already developed, much less to imagine the tremendous proportions to which it must expand should a tithe of the proposed new elements be added. By necessity, this accounting must all be concentrated in Washington. Every money-order office in the United States issues orders on every other office; before the accounts of any office can be settled, these orders must be concentrated as vouchers in one central bureau, where they are checked against the accounts of both the issuing and paying postmasters, each being necessarily handled several times before that essential function can be accomplished.

This bureau of concentration and checking is the Office of the Auditor for the Post Office Department. All other branches of the postal service require a similar concentration of responsibility; reports must be received, carefully examined, audited, verified as to additions, posted and strictly correct accounts kept with every

agent of the vastly ramified system, including 76,000 postmasters, many thousands of contractors, special agents, inspectors, etc. Millions of vouchers must be handled and examined; interminable columns of figures must be footed up; unceasing vigilance must be exercised to prevent imposition, check embezzlements and defalcations, to collect unpaid balances and, generally, to exercise financial scrutiny over all the enormous transactions of the Department. No scientific system of keeping these accounts has ever been devised; methods have been evolved from the pressure of necessity as new branches have been added; work has been done as best it could with inadequate means, insufficient force, and at times crude ideas of what the protection of the public interests requires. Those best acquainted with the process see its manifold defects most clearly and deprecate most sincerely the engraftment of untried excrescences which will still further elaborate and complicate the menacing attributes.

Notwithstanding the exorbitant rates paid to railroads for transporting mail, there is good reason to fear, from the occasional detection of successful attempts in that direction, that extensive frauds are perpetrated, especially by some of the smaller corporations in the quadrennial weighings on which the advance estimate of tonnage to be carried by the roads for the coming four years is based. Unscrupulous managers or subordinates have been known to arrange for large additional bulk and weight of mail matter, such as public documents, old newspapers and the like, to be transported to and fro over their lines during the thirty days devoted to weighings, thereby increasing the reported volume from 25 to 100 per cent., and enlarging the compensation accordingly during the entire quadrennial period ensuing. The utmost watchfulness of the Department is unable to prevent this fraud entirely. It is a temptation constantly presented to the railroads, and detected often enough to justify a belief that large numbers of similar attempts are undetected. How much of the \$36,000,000 paid annually to railroads for carrying mail is represented by this fraudulent inflation of weights, can only be a matter of the blindest and wildest conjecture.

The fallacy of calling our postal system self-sustaining, even if on the face of the books and on its present foundation it should fail to show a deficit at the close of some fiscal year, does not occur to casual observers but is recognized by all who study the

subject. A railway company doing a business of nearly \$1,000,000,000 a year, which was required to pay no interest on bonds or dividends on stock would be a financial phenomenon. It is conceivable that the mail service might be so managed by a corporation as to yield satisfactory results and pay a small dividend, provided it performed no gratuitous services for the government as a condition of its existence. As now managed, the Post Office Department has no "plant" whatever. All it owns in the way of personal property is mail bags, mail locks, letter boxes, carriers' satchels, and a few similar inconsequential items of equipment. Even in public buildings it is the tenant of the Treasury Department.

Here is disclosed a very large expenditure which never figures in computing a postal surplus or deficit. In all cities the United States owns imposing structures, where the local post-offices and other branches of the Department have their capacious and luxurious homes without cost to the postal revenues. The buildings are constructed and paid for by appropriations expended under the direction of the Treasury Department, no part of which is charged against postal revenues. No rentals are ever collected or computed. More than this, all expenditures for heating, lighting, repairs, janitor service, and supplies, are paid for from other appropriations. The aggregate of all these items, including a fair rental for quarters occupied, would amount to several millions of dollars annually, none of which would be expended or needed if there were no mail service. In addition to this should be mentioned the cost of the Post Office Department at Washington and of the Auditor's office, embracing salaries of more than a thousand officials and employees, which are paid from appropriations for what is termed the legislative, executive and judicial service, and never appear in postal estimates, accounts or balances.

Five million dollars a year would be a small allowance for the undebited expenditures of the Post Office Department, along these lines.

An evil necessarily incident to business ventures conducted under Government auspices is the difficulty with which money due from defaulting and embezzling postmasters, failing contractors, and other delinquents is collected. Every contractor, every postmaster and many subordinate employees give bonds which are supposed to secure the Department against loss through their mis-

conduct or inefficiency. But when a loss occurs the trouble begins. The delinquent himself is seldom able to make good the deficit, and no bondsman ever signs an obligation with the expectation of being called upon to pay it. When the call comes he naturally feels that a rich nation better than himself can afford to lose the amount, and he instinctively resorts to every possible means of evading payment. It is one duty of the Auditor's Office to prosecute suits against bondsmen in these cases, and obstacles in the way of recovery are specially disclosed to that official. Juries take advantage of every conceivable excuse to relieve the bondsmen of a postmaster, contractor or other delinquent, from his legal obligation. Only the most specific instructions of a judge will, as a rule, secure reimbursement for money which the Government has actually lost through the malfeasance of its agent, and which every dictate of common honesty and political purity demands should be reimbursed by those who voluntarily assume the risk.

Even some judges of United States courts before whom these cases are tried seem sublimely indifferent to the interests of the Government, and strangely merciful toward the sureties of inexcusable delinquents. In a Western district the judge ruled that the Department is bound by an alleged settlement made by an Inspector on the spot at the time a post-office defalcation was discovered, in face of the fact that the law expressly vests the sole authority to settle postmasters' accounts in the Auditor, and of the further fact that the Inspector could know nothing of the state of the accounts except from the postmaster's own books, which are presumably falsified in such cases as an integral part of the general misdemeanor. Another Western judge held a certificate defective and dismissed an important case because the title of the Auditor was different from that used in statutes twenty or twenty-five years old, although the designation of the office had been changed by law more than fifteen years before and was correctly given under existing statutes. An Eastern judge, overruled by a higher court on a legal question connected with the responsibility of a postmaster who had flagrantly violated his instructions, causing a loss of about \$1,500 of public funds, proclaimed from the bench that it was an "outrage" for the Washington authorities to insist on collecting from the innocent bondsmen of the delinquent.

In spite of leniency of juries and indifference of courts many judgments are obtained against bondsmen by the zealous representatives of the Department of Justice throughout the country. Then, when all else has failed, complaisant Congressmen are readily induced to present bills for the relief of their unfortunate constituents, and if these bills are pressed with sufficient energy and persistency, they are usually passed; the relief is granted; the indebtedness is wiped out, and the tax-paying proprietors of this vast business concern are finally left to suffer the loss occasioned by the faithlessness of their recreant servants.

Upon the whole, then, we have assimilated into our governmental structure an institution wearing all the aspects, containing all the defects, subject to all the abuses of a private or corporate enterprise, and we are, as a body politic, more poorly equipped for dealing with those evils than would be a corporation animated solely by business instincts and capable of acting strictly on business principles.

Our consolation and our hope lie in the fact that the average man is always more reliable than his opportunities and temptations to go wrong give us any right to expect; that the average public official is of higher grade morally and intellectually than our hap-hazard methods of appointment through political influence entitle us to anticipate; that the average subordinate employee—upon whom, after all, the burden and responsibility rest—is, under our present merit system of selection, training and retention, immeasurably superior to the type that formerly was evolved by the “spoils” policy.

Many of these evils are of long standing, but in spite of them the American postal service has attained its present exalted standard of efficiency and usefulness. A determined, intelligent public opinion, aware of the existence of these defects, alive to their perils, ever alert to expose and thwart them, must be relied on in the future, even more implicitly than in the past, to guard jealously this all-powerful instrumentality of enlightened progress and Christian civilization.

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